GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:1019
ANSWERED ON:07.03.2002
WORLD BANK REPORT ON POWER SUPPLY TO FARMERS
VILAS BABURAO MUTTEMWAR

Will the Minister of POWER be pleased to state:

(a) whether the Word Bank in its report on power supply to agriculture have pointed out that the subsidies at agriculture to help the poor farmers is in fact benefiting primarily large and better off farmers;

(b) if so, whether the benefit of subsidy is being enjoyed only by electric pump owning farmers especially the medium and large farmers;

(c) if so, whether the Government propose to hold any consultation with the State Governments to reduce the subsidy and to divert the money thus saved for other purposes; and

(d) if so, the steps likely to be taken thereon?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) & (b) : Yes, Sir. A copy of the Executive Summary of the report of the World Bank on `Power Supply to Agriculture: Case Studies of Haryana and Andhra Pradesh` is enclosed at Annexure.

(c) & (d) : A copy of the report has been circulated to the States for appropriate action.

ANNEXURE

ANNEXURE REFERRED TO IN PARTS (a) & (b) OF UNSTARRED QUESTION NO.1019 TO BE ANSWERED IN THE LOK SAB ON 07.03.2002.

Report No.22171-IN

INDIA
POWER SUPPLY TO AGRICULTURE

VOLUME 1 SUMMARY REPORT

June 15, 2001

Energy Sector Unit
South Asia Regional Office

Executive Summary

1. Throughout India, the supply of electric power falls short of the country`s needs. The supply of power to Indian agriculture, vital for successful irrigation, is in particularly grave condition. Supply is neither reliable, available nor of the steady quality needed to avoid damaging the irrigation pumps it runs and severely disrupting irrigation and farming operations. The state utilities, the only source of electricity for the country`s farmers are in equally bad shape. They lack the skilled personnel and management culture, for instance, to block persistent theft of power and recover the very significant revenue losses that such pilferage imposes on them. In general, they lack the financial resources to modernize their operations so that rural consumers can count on getting electricity when they need it, for as long as they need it and at voltage levels appropriate to equipment in the field.

2. None of the statements above can be a surprise to policymakers in India. The severity of the problem has long been recognized. So, too, has the theoretical possibility of raising some of the necessary finance for upgrading service and supply from rural consumers, the farmers who now pay low, heavily subsidized tariffs for electricity. The prospect of instituting such a reform, however, meets with understandable resistance from those who fear that India`s farmers cannot afford the expense.

3. That anxiety exists in a vacuum of information. The impact of electricity tariffs on farming costs now and in a hypothetical future of improved service and higher charges has never been studied in detail. This report seeks to fill that void. Based on exacting studies of many aspects of farm operations in the states of Haryana and Andhra Pradesh, it finds:

? Providing highly subsidized but poor quality power to agriculture is an impediment to agricultural growth and income. Due to the erratic electric power, farmers costs − particularly in the purchase of unnecessarily high-powered electric pumps and back- up or alternate diesel pumps and in the repair of pumps that burn out − are notably higher than they would be if supply were reliable and voltage steady. Corollary costs flow from the time lost repairing equipment and the timeliness lost in getting water to crops when it is most needed.

? Power subsidies are mistargetted as they benefit much more large farmers who use groundwater for irrigation compared to small farmers. Mirroring this, the present pricing regime based on a flat rate structure results in higher electricity prices for the small farmers compared to large farmers because of their lower level of consumption. The electricity subsidy exclusively benefits electric pump owing farmers, especially the medium to large farmers, as they predominantly own the electric pumps and account for the larger share of electricity consumption.

? The fiscal cost associated with the provision of this large subsidy is very large at 1.2-1.5% of GSDP in Haryana and A.P. creates other distortions and sacrifices elsewhere in the economy.

? Electricity consumption by farmers is estimated to be much lower than what officially attributed. This implies that theft and losses are much higher than earlier estimated. In Haryana, this results in a loss of revenue of about Rs.7 billion per year. In other words, the state subsidies to agriculture, which are assumed to help the poor farmers, are in fact benefiting mainly better off farmers and thieves of power.

? Over the medium term, farmers income, would increase if quality of power supply was improved partially financed through higher tariffs. Marginal and small farmers incomes stand to gain even more from an improvement in the power supply conditions at higher tariffs.

4. Two important recommendations follow from the above findings, that is the need for metering all consumers and for a communication campaign. Metering is essential for reducing theft and restore an equitable electricity pricing policy for agriculture. To achieve a broad based consensus and support for reforms, it is critical to foster an increased awareness and understanding among general public and farmers community in particular about the potential benefits of reforms, and the level of theft and pilferage.

5. Implementation of reforms remains the challenge that India faces. From the technical point of view, a possible entry point could be the implementation of an integrated approach to supply and end-use efficiency. This approach combines the improvement in the quality of power supply through a rehabilitation of the electricity distribution network with the metering installation and the replacement of existing with more efficient irrigation pump sets to conserve energy and water which limiting the impact of tariff adjustments. New institutional and incentive systems, however, are also required to implement this program. Significant management, customs relations and marketing skills, changed in corporate culture, load research, program monitoring and evaluation skills, etc are required none of which is readily available in the utilities today.

6. In summary, improving the quality of electricity services to agriculture, and therefore, improving farmers income and agriculture growth, require the in-depth power sector reforms that few Indian states have embarked upon. Farmers, notably the small and marginal farmers, will substantially benefit from these reforms.